

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 31, 2017

Volume 10 Issue 61

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr / SOMA Swing
Flat	50% Long XIV	Flat

## Tonight's Research Points

- Friday's action will give a strong hint about Monday's 1<sup>st</sup> day of month odds.

## *Short-term Outlook*

### *The Bottom Line*

Expectations remain positive, but with the SPX now a little overbought I am neutral.

### ***The Evidence***

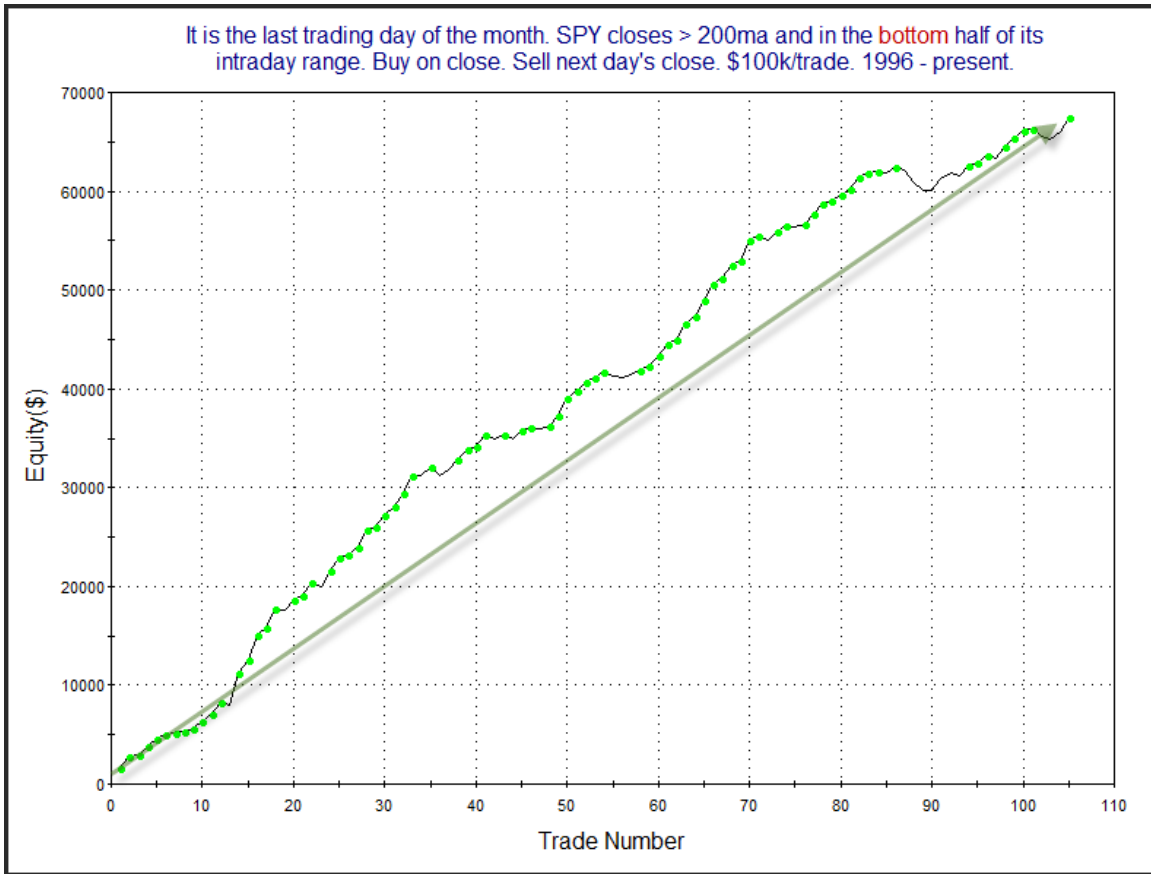
Thursday saw the market climb a bit. The SPX gained 0.3%, the NASDAQ rose 0.3%, and the Russell 2000 climbed 0.8%. Breadth was positive as the NYSE Up Issues % was 59% and the Up Volume % came in at 55%. NYSE volume rose some from Wednesday's level.

There was nothing compelling that emerged in the Quantifinder based on Thursday's action. One notable that is worth keeping in mind on Friday is that it is the last day of the month. The first trading day of the month is renowned for its bullish performance. But the success of the 1<sup>st</sup> trade day of the month has been closely tied to the performance on the last day of the month leading up to it. This can be seen in the studies below, which I covered in detail in the 7/1/15 letter. The first study looks at times where the market closed in the bottom half of its range on the last day of the month.

It is the last trading day of the month. SPY closes > 200ma and in the bottom half of its intraday range. Buy on close. Sell next day's close. \$100k/trade. 1996 - present.

TradeStation Performance Summary <span>Expand ▾</span>			
All Trades			
Total Net Profit	\$67,417.41	Profit Factor	9.16
Gross Profit	\$75,682.75	Gross Loss	(\$8,265.34)
Total Number of Trades	105	Percent Profitable	80.00%
Winning Trades	84	Losing Trades	21
Even Trades	0		
Avg. Trade Net Profit	\$642.07	Ratio Avg. Win:Avg. Loss	2.29
Avg. Winning Trade	\$900.99	Avg. Losing Trade	(\$393.59)
Largest Winning Trade	\$3,295.88	Largest Losing Trade	(\$1,353.69)

The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are over 9x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 105 instances. Below is a profit curve.



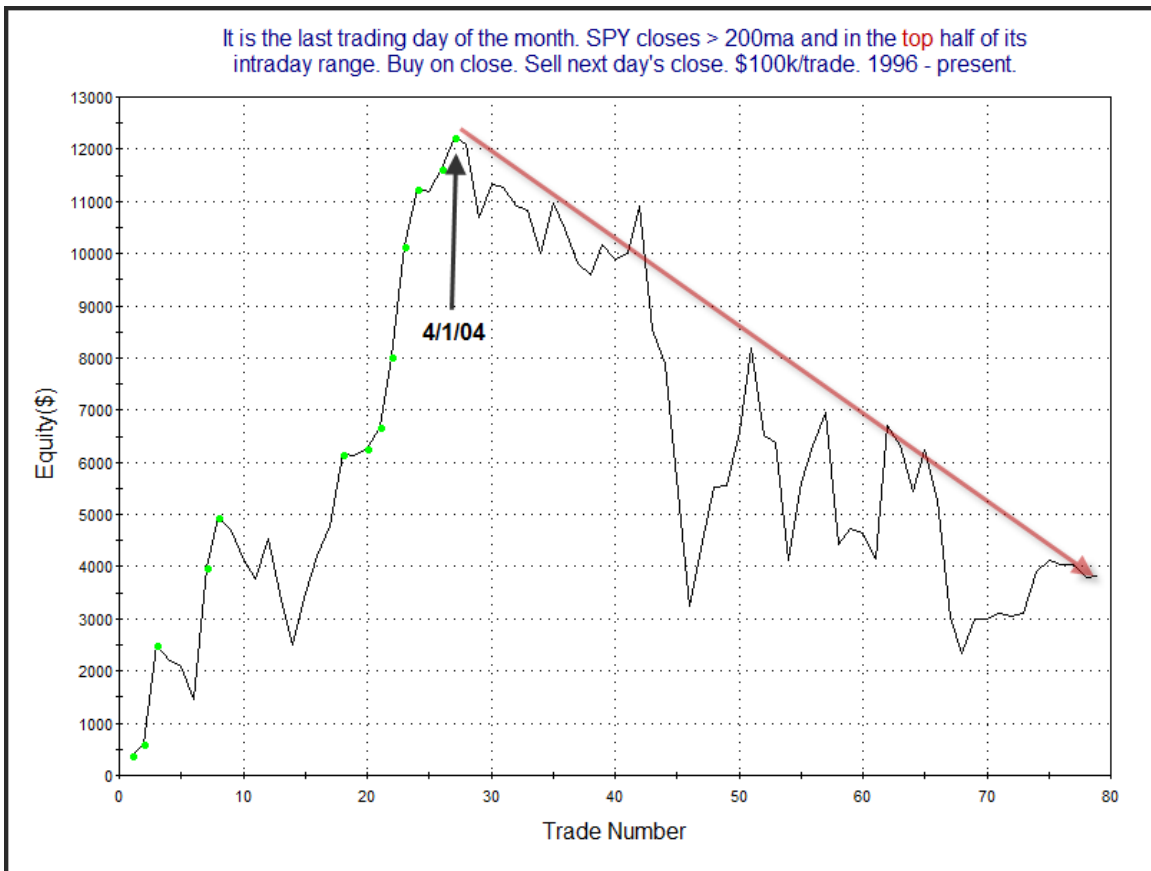
There was a little pullback a few instances back, but the curve appears to be back on track. The long and persistent upslope is impressive.

Let's also consider what the results look like if SPY closes in the top half of its intraday range. (Also from the 7/1/15 letter.)

It is the last trading day of the month. SPY closes > 200ma and in the top half of its intraday range. Buy on close. Sell next day's close. \$100k/trade. 1996 - present.

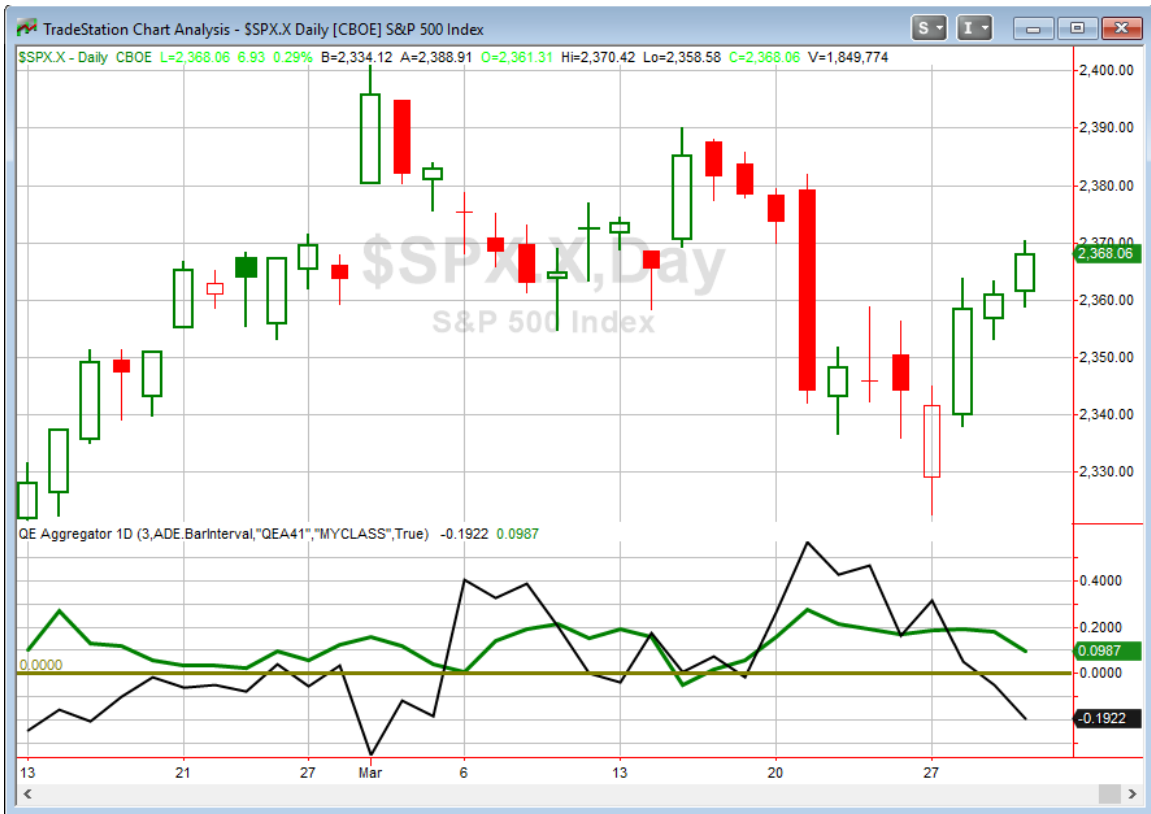
TradeStation Performance Summary <span style="float: right;">Expand ▾</span>			
All Trades			
Total Net Profit	\$3,833.95	Profit Factor	1.13
Gross Profit	\$33,053.26	Gross Loss	(\$29,219.31)
Total Number of Trades	79	Percent Profitable	51.90%
Winning Trades	41	Losing Trades	38
Even Trades	0		
Avg. Trade Net Profit	\$48.53	Ratio Avg. Win:Avg. Loss	1.05
Avg. Winning Trade	\$806.18	Avg. Losing Trade	(\$768.93)
Largest Winning Trade	\$2,562.30	Largest Losing Trade	(\$2,515.60)

We see here the upside edge nearly completely wiped away. Here is a picture of the profit curve.



This paints an even bleaker picture. So it appears Friday's action may provide a strong clue about Monday's chances.

I have updated the Aggregator chart below.



Without any new studies tonight the green Aggregator Line again remained above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator signal stayed flat at the close.

The current list of studies is set to leave expectations positive on Friday. In fact, all active short-term studies remain bullish. It would still take some incredibly strongly bearish new evidence in order to overturn such expectations. The Differential Pivot will be *slightly inverted* at 2371.55 on Friday. That is *0.15% above* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case

SPX is going to need to close up at least 0.15% in order to remain overbought. Anything less than that and it will be considered “oversold” versus expectations as of Friday’s close.

The Aggregator is again neutral. A continuation of the bounce seems more probable but with the market already up 3 days in a row and mildly overbought, reward/risk is not great. So I plan to sit out until reward/risk improves.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 3/27 – bullish***

### **Catapult and Capitulative Breadth Statistics**

*[Catapult & CBI Presentation Link](#)*

#### ***Open Catapult Triggers***

BRK.B – 1/3 @ \$172.82 (bought @ limit)

BRK.B – 1/3 @ \$172.07 (bought @ limit)

BRK.B – 1/3 @ \$172.07 (bought @ limit)

JNJ – 1/3 @ \$125.48 (buy @ limit)

***Broad Market Large Cap CBI – 4(BRK.B-3, JNJ)***

#### **Additional New Trade Ideas**

*A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.*

***None tonight.***

### Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
BRK.B(1/3)	3/20/2017	\$172.30	\$167.36	-2.87%		Catapult
BRK.B(1/3)	3/21/2017	\$172.07	\$167.36	-2.74%		Catapult
BRK.B(1/3)	3/23/2017	\$169.10	\$167.36	-1.03%		Catapult
JNJ(1/3)	3/27/2017	\$125.16	\$124.66	-0.40%		Catapult

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